



uMNGENI MUNICIPALITY

DRAFT ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

I am responsible for the preparation of these annual financial statements, which are set out on pages 2 to 35 in terms of section 126 (1) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 9 of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act, 1998 (Act No. 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

H S Buthelezi
Acting Municipal Manager

31 August 2011

Annual Financial Statements

for

uMngeni Municipality

for the year ended 30 June: **2011**

Province:

KwaZulu Natal

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uMNGENI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2011

Members of Council after the 18 May 2011 elections

General Information

Her Worship the Mayor	Councillor M P Myeni
Deputy Mayor	Councillor S R Majazi
Speaker of Council	Councillor T P Mchunu

Members of the Executive Committee

Councillor M P Myeni(Chairperson)
Councillor S R Majazi
Councillor P A Passmoor

Members of the Council

Councillor NA Buthelezi
Councillor F T Cele
Councillor T A Clover
Councillor G T Dlamini
Councillor M J Grueneberg
Councillor J E Holmes
Councillor T J Lindsay- White
Councillor C R W Millar
Councillor J A Mkhazibe
Councillor F G Mthembu
Councillor H P Ndlela
Councillor S T J Ndlovu
Councillor T S Ndlovu
Councillor S D Nkuna
Councillor T G Nxele
Councillor S K Pillay
Councillor L P Phikwane
Councillor J M Zondi
Councillor B A Zuma

Members of Council Before the 18 May 2011 elections

General Information

Hir Worship the Mayor	Councillor M E Dladla
Deputy Mayor	Councillor Vacant
Speaker of Council	Councillor T P Mchunu

Members of the Executive Committee

Councillor M E Dladla(Chairperson)
Councillor N S Mkhize
Councillor P A Passmoor

Members of the Council

Councillor NA Buthelezi
Councillor M J Grueneberg
Councillor T J Lindsay- White
Councillor S D Nkuna
Councillor S K Pillay
Councillor S M Ndlovu(Ms)
Councillor R J Glaister
Councillor D P Dladla
Councillor A D Mbense
Councillor L B Mthembu
Councillor S M Ndlovu(Mr)
Councillor M Ramsagar
Councillor M B Sbiya
Councillor N N Mlotshwa
Councillor L A de Scally
Councillor R Z Maphanga

uMNGENI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2011

General Information Continued

Acting Municipal Manager

H S Buthelezi

Chief Financial Officer

A J van der Merwe

Grading of Local Authority

3

Auditors

Auditor - General

Bankers

ABSA Bank - Public Sector

Registered Office: Municipal Building Howick

Physical Address: Cnr Dick and Somme Streets
Howick

Postal Address: P O Box 5
Howick
3290

Telephone number: 033-2399200

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uMNGENI MUNICIPALITY

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uMNGENI MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011

	Notes	2011 R	2010 R
NET ASSETS AND LIABILITIES			
Net assets			
Housing operating account	1	15,286,278	11,944,274
Revaluation reserve		153,834,970	10,692,826
Accumulated surplus	19	110,099,706	129,166,195
		279,220,954	151,803,295
Non-current liabilities			
Long term liabilities	2	40,247,460	44,460,845
Retirement benefits	31	14,971,410	11,065,207
Long service awards and retirement gifts	32	2,837,115	2,060,918
Refuse Site Rehabilitation costs	33	7,301,677	6,550,160
		65,357,662	64,137,130
Current liabilities			
Bank overdraft	13	1,412,015	939,352
Consumer deposits	3	2,049,724	1,551,404
Creditors	7	51,850,143	31,759,275
Unspent conditional grants and receipts	6	21,749,757	28,328,514
Current portion of long term liabilities	2	3,249,009	2,635,436
Current portion of Retirement benefits	31	532,584	454,764
Current portion of long service awards and retirement gifts	32	227,043	259,791
		81,070,275	65,928,536
Total Net assets and Liabilities		425,648,890	281,868,962
ASSETS			
Non-current assets			
Property, plant and equipment	39	368,366,407	212,091,959
Investment Property	40	1,010,000	1,550,695
Intangibles- software	41	24,071	-
		369,400,478	213,642,654
Current assets			
Consumer receivables	5	53,035,877	63,631,307
Other receivables	5	-	367
Investments - short term	4	3,207,775	4,589,874
Bank balances and cash	27	4,760	4,760
		56,248,412	68,226,308
Total Assets		425,648,890	281,868,962

uMNGENI MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2011

FOR THE YEAR ENDED 30 JUNE 2021		Actual		Budget	
	Notes	2011	2010	2011	2010
		R	R	R	R
REVENUE					
Property rates	8	76,987,434	65,227,545	93,190,766	81,038,297
Property rates - penalties imposed and collection charges		3,140,626	2,579,935	520,000	10,000,000
Service charges	18	46,563,765	39,071,106	52,561,670	42,774,615
Rental of facilities and equipment		789,231	413,500	528,643	524,300
Interest earned					
External investments		481,204	256,671	255,113	200,000
Outstanding debtors		606,574	1,561,507	500,000	5,200,000
Fines		163,380	374,750	260,022	1,080,000
Licences and permits		2,940,141	2,696,593	3,263,907	1,889,400
Government grants and subsidies	25	51,672,544	50,013,484	63,211,110	63,370,000
Other income	15	16,563,623	16,640,153	5,480,023	5,502,570
Public contributions and donations		-	-	-	-
Gains on disposal of property, plant and equipment			364,412	-	-
Departmental recharges		13,867,962	13,145,748	13,867,962	13,145,748
Total Revenue		213,776,484	192,345,404	233,639,216	224,724,930
EXPENDITURE					
Employee related costs	29	67,929,592	65,109,312	69,280,116	67,463,988
Remuneration of councillors	9	4,197,725	4,067,387	4,881,498	4,433,321
Bad debts	5	-	2,735,543	17,965,078	-
Depreciation	39/40/41	8,727,163	8,187,335	6,529,100	4,487,174
Repairs and maintenance		6,339,576	8,009,616	11,490,314	10,107,974
Interest paid	11	4,651,161	4,932,347	4,623,386	4,328,275
Bulk purchases	26	38,382,635	29,225,162	46,860,777	30,012,235
Contracted services		2,018,788	2,389,188	2,672,351	1,500,000
Retirement and long services benefits	31/32	4,727,472	-	2,000,000	-
General expenses	15	42,292,555	39,277,750	41,653,621	74,385,705
Loss on disposal of property, plant and equipment		215,338	-	-	-
Contributions		1,084,484	1,555,436	2,899,390	13,948,000
Refuse Site Rehabilitation cost		751,517	722,660	-	-
Departmental recharges		13,867,962	13,145,748	13,867,962	13,145,748
Total Expenditure		195,185,968	179,357,484	224,723,593	223,812,420
SURPLUS FOR THE YEAR		18,590,516	12,987,920	8,915,623	912,510

Refer to Appendix E (1) for the comparison with the approved budget

uMNGENI MUNICIPALITY

STATEMENT OF CHANGES IN RESERVES AND ACCUMULATED SURPLUS

FOR THE YEAR ENDED 30 JUNE 2011

	Housing operating account	Revaluation reserve	Accumulated surplus/ (deficit)	Total
	R	R	R	R
30 June 210				
Balance at 01 July 2010	11,944,274	10,692,826	129,166,195	151,803,295
				-
Restated balance	12,544,021	10,778,807	107,018,321	130,341,149
Surplus (deficit) for the year	-1,089,060	-	12,987,920	11,898,860
Interest received from external investment	489,313	-	-	489,313
Financing of PPE acquisitions			-3,477,262	-3,477,262
Movement in accumulated surplus			12,637,216	12,637,216
Offsetting of depreciation ex Reserves		-85,981	-	-85,981
Balance at 30 June 2010	11,944,274	10,692,826	129,166,195	151,803,295
30 June 2011				
Restated balance	11,944,274	10,692,825	129,166,195	151,803,294
Surplus (deficit) for the year	-1,069,321	-	18,590,516	17,521,195
Interest received from external investment	1,612,967	-	-	1,612,967
Financing of PPE acquisitions			-1,357,805	-1,357,805
Movement in accumulated surplus			-36,299,200	-36,299,200
Offsetting of depreciation ex Reserves			-	-
Revaluation Surplus		143,142,145		143,142,145
Transfer unspent funds to Operating account	2,798,358			2,798,358
Balance at 30 June 2011	15,286,278	153,834,970	110,099,706	279,220,954

uMNGENI MUNICIPALITY

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2011

		2011	2010
	Notes	R	R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from (utilised in) operations	20/21	23,371,541	40,133,543
Interest received		481,204	256,671
Interest paid		-4,651,161	-4,932,347
Net Cash from (utilised in) operating activities		19,201,584	35,457,867
CASH FLOWS FROM (UTILISED IN) INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-21,558,182	-31,230,194
Proceeds on disposal of property, plant and equipment		-	998,682
		-21,558,182	-30,231,512
CASH (UTILISED IN) GENERATED FROM INVESTING ACTIVITIES		-2,356,598	5,226,355
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised/ (repaid)	22	-3,599,814	-850,479
Increase /(decrease)in liability for retirement and long service gifts	31/32	4,727,472	-1,144,218
Increase in liability for rehabilitation of refuse sites		751,517	722,660
Net cash generated from / (utilised in) financing activities		1,879,175	-1,272,037
		-477,423	3,954,318
Cash and cash equivalents			
At the beginning of the year	23	-934,592	-4,888,910
At the end of the year	23	-1,412,015	-934,592
NET INCREASE (DECREASE) IN CASH EQUIVALENTS		477,423	-3,954,318

uMNGENI MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

1 BASIS OF PRESENTATION

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) in terms of :

General Notice 991 of 2005 issued in Government Gazette no. 28095 of 15 December 2005 and in Government Gazette no. 31021 of May 2008.

The Standards comprise of the following:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associate
GRAP 8	Interest in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the reporting date
GRAP 16	Investment Property
GRAP 17	Property Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-current Assets held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets

Accounting policies for material transactions, events or conditions not covered by the above mentioned GRAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Standards Board.

The principle accounting policies adopted in the preparation of these annual financial statements are set out below.

2 PRESENTATION CURRENCY

The annual financial statements are presented in South African Rand to the nearest Rand.

3 GOING CONCERN ASSUMPTION

The annual financial statements are prepared on a going concern basis.

4 HOUSING OPERATING ACCOUNT

The Housing Operating Account was established in terms of the Housing Act, 1997 (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 01 April 1998 and transferred to a Housing Operating Account. Housing selling schemes, both complete and in progress at 01 April 1998, were also transferred to the Housing Operating Account. In terms of the said Act, all proceeds from housing developments, including rental income and sales of houses, must be paid into the Housing Operating Account. Monies standing to the credit of this account can only be used to finance housing developments within the municipal area subject to the approval of the Provincial Member of the Executive Committee responsible for housing.

uMNGENI MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

5 RESERVES

5.1 Revaluation Reserve

Unrealised surpluses arising from the revaluations of land and buildings are credited to a Non-Distributable Reserve. Revaluation surpluses are realised as revalued buildings are depreciated, by means of transfers from the revaluation reserve to the accumulated surplus / (deficit).

When revalued land and buildings are disposed of, the net revaluation surpluses in the Revaluation Reserve relating to such items are transferred to the accumulated surplus / (deficit), while gains and losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

6 PROPERTY, PLANT AND EQUIPMENT

6.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or the supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration i.e. a non-exchange transaction, the costs is deemed to be equal to the fair value of that asset on the date acquired.

Where property, plant and equipment is acquired in the exchange for a non-monetary asset or monetary assets, or a combination of, monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired items fair value was not determinable, it's deemed cost is the carrying amount of the asset (s) given up.

uMNGENI MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

6.2 SUBSEQUENT MEASUREMENT-COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

6.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives.

	Years		Years
Infrastructure		Other	
Roads and paving	30	Buildings	30
Pedestrian malls	30	Specialist vehicles	10
Electricity	20 - 30	Other vehicles	5
Housing	30	Office equipment	3
		Furniture and fittings	7 - 10
Community		Watercraft	15
		Bins and containers	5
Buildings	30	Specialised plant and equipment	10 - 15
Recreational facilities	20 - 30	Other items of plant and equipment	2 - 5
Security	5	Landfill sites	15

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

6.4 DERECOGNITION

Items of property, plant and equipment are derecognised when an asset is disposed off or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales and proceeds and the carrying value and is recognised in the Statement of Financial Performance.

7 REVALUATION OF LAND AND BUILDINGS

Land and buildings are stated in the annual financial statements at revalued amounts, being the fair value at the date of revaluation less subsequent accumulated depreciation of buildings.

8 INVESTMENT PROPERTY

8.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

uMNGENI MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

8.2 SUBSEQUENT MEASUREMENT - COST MODEL

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the estimated average asset life of 30 years.

9 INVESTMENTS

9.1 Financial instruments

Financial instruments, which include unlisted, reciprocal municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks are stated in the annual financial statements at the lower of cost or fair value. No impairments are required as the cost values equate to their cash values.

Where investments have been impaired, the carrying values are adjusted by the impairment losses, which are recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net proceeds on disposal and the carrying amount is charged or credited to the Statement of Financial Performance.

10 INVENTORIES

Inventories are comprised of consumable stores, raw materials and finished goods and are stated in the annual financial statements at the lower of average cost, determined on the first in first out method and net realisable value. Cost includes deductions for discounts and rebates.

Redundant and slow moving inventories are identified and sold by public auction and any gain or loss on disposal is recognised in the Statement of Financial Performance.

Unsold properties are stated in the annual financial statements at the lower of cost, determined on the average cost method and net realisable value. Direct costs are accumulated for each separately identifiable development. Cost also includes a proportion of overhead costs.

11 ACCOUNTS RECEIVABLE

Accounts receivable are stated in the annual financial statements at the value of billings to consumers/ratepayers, less deductions for discounts given or rebates granted less a provision for doubtful accounts.

Provision for doubtful accounts is made, based on a review of all outstanding amounts at the financial year end. Contributions to the provision are calculated on specific debts older than 120 days but excluding rates, rates penalties and rates collection charges.

Bad debts are written off in the period that they are identified. Amounts that are receivable within one year are classified as current assets.

12 ACCOUNTS PAYABLE

Accounts payable are stated in the annual financial statements at the amounts due to trade and other creditors for goods or services received. The liabilities are generally settled within a period of 30 Days, accordingly any impairments, if any, are considered to be immaterial.

uMNGENI MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

13 REVENUE RECOGNITION

13.1 Revenue from Exchange transactions

Service charges for Electricity are based on consumption by consumers as is recorded on each consumer's meter. Meters are read each month and the revenue is recognised in the period that invoices are raised. Provisional estimates of consumption are made in periods where meter readings have not been able to be carried out. The revenue from these provisional readings is also recognised as revenue when invoiced. Adjustments to provisional estimates and recognition of the amended revenue arising thereof are made in the invoicing period in which meters are read.

Revenue from the sale of electricity prepaid meter cards is recognised in the period in which cash is received.

Service charges for refuse removal are raised and recognised on a monthly basis in arrears and are based on the application of the approved tariff to each property that has improvements, the category of property usage and the number of refuse containers on each property regardless of whether or not containers are emptied during the month.

Interest and rentals are recognised on a time proportion basis.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service has been rendered and the fee has been charged or licenses and permits have been issued.

Income from agency services is recognised on a monthly basis once the income collected from agents has been quantified and once the terms of the agency agreement have been complied with.

Revenue from the sale of goods is recognised when the risk passes to the consumer.

Revenue from public contributions is recognised when all the conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items are brought into use. A liability is raised when a public contribution has been received but all the conditions have not been met.

13.2 Revenue from Non-exchange transactions

Revenue from assessment rates is recognised when the legal entitlement arises. Collection charges are recognised when such amounts have been raised and are legally enforceable. Penalty interest is raised on unpaid rates after the due date for payment and is recognised on a time proportion basis.

Revenue from the collection of spot fines and summonses is recognised when payment is received.

Donations are recognised when cash is received or when property, plant and equipment is brought into use.

Contributions of property, plant and equipment are recognised when the items are acquired.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Local Government : Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible Councillors or officials is virtually certain.

14 CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. A liability is recognised to the extent that the criteria, conditions or obligations have not been met.

uMNGENI MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

15 PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at the reporting date and adjusted to reflect the current best estimate.

16 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

Cash and cash equivalents in the cash flow statement comprise cash on hand, deposits held on call with banks, net of bank overdrafts.

Bank overdrafts are recorded at the current value of the utilisation of approved facilities from the Municipality's bankers. Finance charges on bank overdrafts are expensed as incurred.

17 UNAUTHORISED EXPENDITURE

Unauthorised expenditure represents expenditure which has been incurred but not budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Local Government : Municipal Finance Management Act, 2003 (Act No. 56 of 2003). Unauthorised expenditure is accounted for in the Statement of Financial Performance as an expense and as revenue where it is subsequently recovered.

18 IRREGULAR EXPENDITURE

Irregular expenditure excludes unauthorised expenditure and represents expenditure incurred that is contrary to the provisions of the Local Government : Municipal Finance Management Act, 2003 (Act No.56 of 2003) the Municipal Systems Act, 2000 (Act No. 32 of 2000), the Public Office Bearers Act, 1998 (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure is accounted for in the Statement of Financial Performance as an expense and as revenue when it is subsequently recovered.

19 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure represents expenditure that was made in vain and would have been avoided if reasonable care had been exercised. Fruitless and wasteful expenditure is accounted for in the Statement of Financial Performance as an expense and as revenue where it is subsequently recovered.

20 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. Contributions are made to the Natal Joint Municipal Pension Fund to fund the obligations for the payment of retirement benefits in accordance with the rules of the three defined benefit funds it administers.

Contributions are charged as an expense in the Statement of Financial Performance in the year that they become payable.

The funds are actuarially valued every three years using the discounted cash flow method. Any deficits identified by the actuary are recovered from participating municipalities in the form of surcharges added to the Contributions which are charged as an expense in the Statement of Financial Performance in the year that they become payable.

uMNGENI MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

21 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are included in the cost of that asset. Such borrowing costs are capitalised as part of the cost of the asset until all the activities necessary to prepare the qualifying asset for its intended use or sale is complete.

22 DEPOSITS

Deposits received from consumers are based on the estimated monthly consumption and are calculated to cover approximately two and one half to four months consumption, taking into consideration each consumer's profile. In the event of a disconnection of service for non payment, the value of the deposit is reviewed and adjusted in terms of the Council's credit control policy. No interest is paid on deposits held.

23 LEASES OPERATING LEASES

Payments made on operating lease agreements are expensed and charged to the Statement of Financial Performance in the period in which such payments are due. These agreements do not transfer risk and rewards associated with ownership of an asset to the Municipality.

FINANCE LEASES

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of assets are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

24 PRIOR YEAR COMPARATIVES

Prior period comparatives are reclassified when the presentation or classification of items in the annual financial statements is amended.

25 INTANGIBLE ASSETS

25.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they can be capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- The municipality intends to complete the intangible asset for use or sale;
- It is technically feasible to complete the intangible asset;
- The municipality has the resources to complete the project; and
- It is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in the exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset (s) given up.

uMNGENI MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

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25.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The costs of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to annual impairment test.

25.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so far as to write off the cost or valuation of the intangible assets over their estimated useful lives using the straight line method. The annual depreciation rates are based on the following estimate average asset lives. The estimated useful life of computer software is 3 years.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The Municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

25.4 DERECOGNITION

Intangible assets are derecognised when an asset is disposed of or when there are no further economic benefits or no service potential is expected from the use of the asset. The gain or loss arising on the disposal or retirement of an Intangible assets is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

uMNGENI MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

1. HOUSING OPERATING ACCOUNT

Government Grant Reserve (Principally arising from loans extinguished in 1998 - R9 747 726)
Accumulated surplus(deficit)

2011 R	2010 R
15,343,977	15,235,045
-57,699	-3,290,771
15,286,278	11,944,274
Housing inventory	14,557,625
Debtors	297,039
Investments - External	489,313
Bank overdraft	-57,699
15,286,278	11,944,274

2. LONG TERM LIABILITIES

Annuity loans
Finance management agreements

41,895,162	44,065,310
1,601,306	3,030,971
Total External loans	43,496,469
LESS : Current portion transferred to current liabilities	-3,249,009
(Refer to appendix A for more detail)	40,247,460
40,247,460	44,460,845

Annuity loans

The loans attract interest at rates between 5% and 12.62% per annum, are being redeemed in monthly and quarterly instalments, including interest, over varying periods.

Bank loans

Bear interest at Prime Less 1%

Fair value impairments

Long term loans are recorded at the actual liability to loan creditors. No impairment, if any has been recognised.

3. CONSUMER DEPOSITS: SERVICES

Electricity
Water

2,049,724	1,551,404
-	-
2,049,724	1,551,404

4. INVESTMENTS

Unlisted

Long-term deposits

-	-
-	-

Long Term portion

Short term investments
Collateral security fixed deposits - Rand Merchant Bank
Notice deposits - Absa Bank

1,098,513	1,035,127
2,109,262	3,554,747
3,207,775	4,589,874

Short Term portion**Total investments**

3,207,775	4,589,874
Council's valuation of unlisted investments	3,207,775
Average rate of return on investments	5.40%
Investments pledged as collateral security for loans	1,098,513
	1,035,127

uMNGENI MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

5. RECEIVABLES

	2011 R	2010 R
Consumer receivables	55,967,722	66,366,852
Less: Provision for Bad Debts	-2,931,845	-2,735,544
	53,035,877	63,631,308
	53,035,877	63,631,307
Other sundry receivables	-	367
Vat	-	-
	53,035,877	63,631,674

Management have considered the effects of any impairment in the values of outstanding and the value of the provision for bad debts. The provision is adequate to account for any material losses expected to arise from any adjustments that are required to be made to outstanding

Consumer receivables

Rates	31,221,582	40,814,332
Electricity	16,097,370	13,386,019
Rentals	297,039	188,107
Refuse	1,455,530	1,594,072
Sundries	6,019,226	9,942,709
Legal costs	89,031	86,966
VAT	787,945	354,646
	55,967,722	66,366,851

Amounts written off as bad debts	-	16,631,619
As a percentage of total operating revenue	0.00%	8.93%
Number of days outstanding	213	172

Age analysis

Rates		
Current (0 to 30 days)	-5,795,800	-4,401,568
31 to 60 days	2,131,077	8,677,437
61 to 90 days	1,231,185	1,850,572
91 to 120 days	1,038,794	1,246,280
121 days to 150 days	2,577,237	1,185,870
151 days and over	30,039,089	32,255,741

31,221,582	40,814,332
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Electricity

Current (0 to 30 days)	4,157,543.63	1,938,263
31 to 60 days	1,047,540.37	752,569
61 to 90 days	438,496.08	358,830
91 to 120 days	332,754.32	215,424
121 days to 150 days	343,354.86	267,000
151 days and over	9,777,680.69	9,853,933

16,097,370	13,386,019
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Refuse

Current (0 to 30 days)	277,936.63	262,318
31 to 60 days	111,615.46	99,998
61 to 90 days	58,985.71	50,675
91 to 120 days	44,983.83	35,293
121 days to 150 days	38,810.55	30,721
151 days and over	923,197.34	1,115,067

1,455,530	1,594,072
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Sundries

Current (0 to 30 days)	83,137.55	418,816
31 to 60 days	63,483.88	1,590,193
61 to 90 days	437,552.42	73,257
91 to 120 days	35,466.65	319,031
121 days to 150 days	35,861.24	762,148
151 days and over	5,363,723.88	6,779,264

6,019,226	9,942,709
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uMNGENI MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
Legal costs		
Current (0 to 30 days)	-0.20	63
31 to 60 days		3,235
61 to 90 days		6,898
91 to 120 days		-
121 days to 150 days		-
151 days and over	89,031.23	76,770
	89,031	86,966
Housing		
Current (0 to 30 days)	48,001.08	23,318
31 to 60 days	41,305.64	15,553
61 to 90 days	16,663.95	6,842
91 to 120 days	3,369.07	5,149
121 days to 150 days	13,943.97	9,430
151 days and over	173,755.14	127,815
	297,039	188,107
Provision for Bad Debts		
Balance at beginning of year	2,735,544	13,971,455
Contributions made during the year	196,302	5,395,708
	2,931,846	19,367,163
Debts written off during the year		-16,631,619
	2,931,846	2,735,544
6. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Conditional Grants from other spheres of Government	6,606,393	9,808,065
MIG Grants	4,044,836	4,544,001
DME Grants	2,561,557	5,264,064
Other Conditional Receipts	15,143,364	18,520,449
State	3,322,389	4,572,178
Provincial conditional	11,820,975	11,380,313
Other	-	468,035
Housing	-	2,099,923
Total Conditional Grants and Receipts	21,749,757	28,328,514
See Note 25 for the reconciliation of grants from other spheres of government.		
7. CREDITORS		
Trade and year end creditors	28,545,384	9,227,369
Deposits - other	12,816	-
Unclaimed payments	1,096,117	-
Other sundry creditors District Municipality	2,749,675	4,321,723
Staff leave	6,845,661	7,232,207
Retentions	2,014,544	1,595,652
Value Added Taxation	2,359,265	2,860,940
Museum trust account	162,841	111,198
Debtors receipts in advance	8,063,840	6,410,186
	51,850,143	31,759,275

uMNGENI MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

8. ASSESSMENT RATES

	Valuation at 30/06/2011	Valuation at 30/06/2010	Actual income 30/06/2011	Actual income 30/06/2010
Commercial	448,538,422	434,559,000	7,686,900	7,208,301
Residential	6,200,025,112	6,006,791,350	70,161,347	54,626,974
Education and State	289,243,747	280,229,000	3,259,013	3,056,102
Municipal		-		-
Agriculture	3,809,523,842	3,690,793,000	41,469,388	38,887,433
Private open space	28,520,900	27,632,000	26,543	24,890
State	1,103,887,389	1,069,482,962	9,980,136	9,358,757
	11,879,739,412	11,509,487,312	132,583,327	113,162,457
Less: Income Foregone - rebates			55,595,890	47,934,912
Net Income			76,987,434	65,227,545
Non rateable	60,311,000	63,414,729		

	2011 R 2007/07/01	2010 R 2007/07/01
The last general valuation came into effect on:		
The basic rate of cents in the Rand is	1.22	1.14
Rebates:		
Agriculture - additional	75.00%	50.00%
Bona Fide Farmers	0.00%	20.00%
Residential (The first R6 5000 is exempt in terms of the Rates Policy)	30.00%	30.00%
Pensioners (Qualifying on with income up to R9000 on a sliding scale)	30.00%	30.00%
State	20.00%	20.00%

9. COUNCILLORS' REMUNERATION

Mayor's allowance	560,616	544,357
Deputy Mayor's allowance	246,343	240,244
Speaker's allowance	249,593	142,156
Executive committee allowances	234,616	228,161
Councillors' allowances	2,906,557	2,912,469

4,197,725 **4,067,387**

10. AUDITORS' REMUNERATION

Audit fees	968,509	1,157,065
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11. INTEREST PAID

Long term liabilities	4,526,248	4,868,357
Bank overdrafts	124,913	63,990
Total interest on external borrowings	4,651,161	4,932,347

12. PROPERTY, PLANT AND EQUIPMENT

The revaluation surplus is reconciled as follows:

Balance at beginning of year	10,692,826	10,778,807
Surplus realised	143,142,145	-
Less : Depreciation Recovery	-	-85,981
Balance at end of year	153,834,971	10,692,826

Refer to Appendix B for more detail on property, plant and equipment

Land Building have been reviewed during compilation of the new valuation roll, however due to the queries raised on the valuation roll and the objection process only going to be completed by September 2011, it is not possible to use to the values attached to municipal property as at 30 June 2011 as they could change. Objections lodged by the Municipality still has to reviewed by the Valuer and only then can the new values be uploaded into the assets register and changes made accordingly. The only change made was to investment property where it was confirmed with the valuer, that the property concerned had indeed been impaired. The adjustments are reflected under the note on investments property note 37. The surplus realised is on revaluation of electricity and roads and stormwater assets and have been accordingly disclosed in the asset register after physical verification by consultants.

See also Note 35

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011Page 18

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

20. CASH GENERATED BY OPERATIONS

	2011 R	2010 R
(Deficit) surplus for the year (per note 19)	18,590,516	12,987,920
Adjustments for		
Previous year's operating transactions	-36,299,200	12,821,500
Loss on disposal of property, plant and equipment	215,338	-634,270
Profit on disposal of assets	-	-364,412
Depreciation	8,727,163	8,691,880
Appropriations charged against income :	1,280,787	4,712,537
Staff leave	1,084,485	1,976,994
Provisions and reserves	196,302	2,735,543
Capital charges :		
Interest paid :		
- on external funds	4,651,161	4,932,347
Investment income (operating account)	-481,204	-256,671
Non-operating income:		
Assets appreciated/other		
Transfer unspent housing grants to housing operating account	2,798,359	-
Non-operating expenditure:		
Expenditure charged against Housing Operating Account	-1,069,321	-1,089,060
Expenditure charged against provision for leave	-1,471,030	-1,757,786
Expenditure charged against provision for doubtful debts	-	-16,631,619
	-	-
	-3,057,431	23,412,366

21. (INCREASE) / DECREASE IN WORKING CAPITAL

(Increase) / decrease in debtors	10,595,430	19,955,313
(Increase) / decrease in short term investments	1,382,099	-3,620,257
Increase / (decrease) in creditors	20,531,880	-17,728,841
Increase / (decrease) in deposits	498,320	133,801
Increase / (decrease) in unspent grants	-6,578,757	17,981,161
	26,428,972	16,721,177
	23,371,541	40,133,543

22. INCREASE / (DECREASE) IN LONG TERM LOANS (EXTERNAL)

Loans raised	-	3,125,184
Loans (repaid)	-3,599,814	-3,975,663
	-3,599,814	-850,479

23. (INCREASE) / DECREASE IN CASH ON HAND

Cash balance at the beginning of the year	-934,592	-4,888,910
LESS : Cash balance at the end of the year	-1,412,015	-934,592
	477,423	-3,954,318

24. RETIREMENT BENEFITS

The Municipality's personnel are members of one of the three Natal Joint Municipal Pension Funds i.e. (Superannuation, Provident and Retirement). The valuator carries out a statutory valuation on a triennial basis and an interim valuation on an annual basis (the 2006 interim has been completed). uMngeni Municipality's liability in these funds could not be determined owing mainly to the assets not being allocated to each employer and one set of financials being compiled for each fund and not for each employer.

Superannuation

An interim actuarial valuation of the Fund was carried out for the period ending 31 March 2009. The actuarial value of total assets was more (less) than the actuarial value of liabilities for the service of members to that date and for pensioners by:

made up as follows:	4,120,176	4,120,176
For service to 31 March 2009		
for pensioners - surplus funding level 123.3% (2006: surplus funding level 100.5%)	398,500,000	398,500,000
for members - surplus funding level 98.8% (2006 : deficit funding level 85.8%)	-29,900,000	-29,900,000
The fund did not hold an Investment Reserve at 31 March 2009	567,000,000	567,000,000

For service after 31 March 2009

The total contribution rate payable (excluding the surcharge) did not exceed that required for future service by 0.96% (2005 :exceeded by 1.0%) of pensionable emoluments, or per year

uMNGENI MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
Conclusion		
The funding level of the fund decreased from 104.7% to 98.8%(increased from 955 to 104.7%) over the valuation period. the actuary is satisfied that the fund was fully funded and financially sound on the discounted cash flow method; and the required contribution rate for future service exceeded the contribution rate payable by 1.5% of pensionable salaries. This will be reviewed at the next interim actuarial valuation of the fund at 31 March 2010 when the outcome of a possible merger with the retirement fund will be known with more certainty.		
<u>Provident Fund</u>		

The salient features of the Statutory (Interim) Valuation Report on the fund as at 31 March 2009 were that the market value of the Fund's assets were not sufficient to fully cover the members' share account and to provide total reserves of

The liabilities of the fund exceeded the assets by a small deficit (or unallocated assets) of which represents 2.42% of assets, is feature of the smoothed bonus approach followed but the fund and will in future be met from investment earning.

587,882,000	587,882,000
13,930,000	13,930,000

Conclusion

The fund has recouped the deficit by declaring smaller bonuses after the valuation date. The actuary is satisfied that the asset composition of the fund is appropriate to the nature of the liabilities and the fund was in sound financial condition at 31 March 2008.

Retirement Fund

The salient features of the Statutory (Interim) valuation of the fund at 31 March 2009 are:

The actuarial value of total assets of the fund was less than the actuarial value of the liabilities for the service of members to that date and for pensioners by made up as follows:

-80,100,000	-80,100,000
-------------	-------------

For service to 31 March 2009

for pensioners - funding level 119.1% (2006 : funding level 116.2%) - surplus
for members - funding level 79.5% (2006 : funding level 73.0%)-deficit

134,100,000	134,100,000
-214,200,000	-214,200,000
79.50%	79.50%

The fund was thus funded

The fund did not hold an Investment Reserve.

With effect 01 July 2000 , Local Authorities commenced by paying a surcharge equal to 2% of pensionable salaries. It was subsequently increased each year and is currently

17.00%	17.00%
1.65%	1.65%

and members pay

Based on the valuation assumption applied in 2000 the shortfall was expected to be fully funded by 2011.

During the previous interim valuation the actuary found that the mortality assumption for pensioners was not in line with the actual experience and so the assumption was changed. Accordingly, the current surcharge is required to continue for a further two years after 2010 to be fully funded.

Conclusion

The actuary is satisfied that the self-insurance arrangement is appropriate for the fund, the asset composition of the fund is appropriate to the nature of the liabilities, the contributions being paid to the fund, including the surcharges are sufficient to meet the shortfall by 30 June 2010 and based on the revised assumptions, which allow for the improving pensioner mortality, an extension of the surcharge for a further two years is necessary.

Municipal Councillors Pensioners Fund

The audited statements for the financial years ended 30 June 2009 and 2010 have not been distributed as yet, as these audits have not been completed. Accordingly reliable financial information is not available to be presented.

25. GOVERNMENT GRANTS AND SUBSIDIES

Equitable share	26,617,024	20,872,453
M S I G**	750,000	735,000
F M G**	1,200,000	750,000
M I G grants	7,052,164	8,400,000
D M E grants	2,702,507	4,511,483
Kanya Village Road Cedara	77,350	
Provincial health subsidies	1,666,082	2,501,067
Corridor Funding LED Strategy**	400,000	
Provincial - Museum	73,000	68,000
Cyber Cadet Library**	179,700	96,000
uMgungundlovu District Council Corridor Development - Mandela Capture Site	4,305,502	2,283,207
Cleanest Town**	265,000	
Neighbour Development	5,692,315	8,872,676
uMgungundlovu District Council - Shared Services model**	691,900	912,050
European Union Gijima	-	11,548
Total Government Grant and Subsidies	51,672,544	50,013,484

** The amounts totalling R 3 486 600 is disclosed on page 34 under general expenses

uMNGENI MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
Equitable share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.	26,617,024	20,872,453
M S I G		
Current year receipts	750,000	735,000
Conditions met - transferred to revenue	-750,000	-735,000
	-	-
Finance Management Grant		
Financial management, capacity building and		
Current year receipts	1,200,000	750,000
Conditions met - transferred to revenue	-1,200,000	-750,000
	-	-
M I G Grant		
Roads and stormwater infrastructure as part of the upgrade of the informal settlement		
Current year receipts	7,052,164	8,400,000
Conditions met - transferred to revenue	-2,508,164	-8,400,000
No funds have been withheld	4,544,000	-
D M E Grant		
Electrification and new connections		
Current year receipts	2,702,507	4,511,483
Conditions met - transferred to revenue	-	-4,174,936
No funds have been withheld	2,702,507	336,547
Neighborhood Development		
Mphomeni Gateway Project		
Current year receipts	11,000,000	11,000,000
Conditions met - transferred to revenue	-7,745,995	-7,745,995
No funds have been withheld	3,254,005	3,254,005
Provincial Housing		
Low Cost Housing		
Current year receipts	5,518,726	7,663,702
Conditions met - transferred to revenue	-5,809,926	-5,563,780
No funds have been withheld	-291,200	2,099,922
Corridor Development		
N3 Corridor Development		
Current year receipts	5,500,000	7,000,000
Conditions met - transferred to revenue	-4,305,502	-790,342
No funds have been withheld	1,194,498	6,209,658
Current year receipts - included in public health vote	1,666,082	2,501,067
Conditions met - transferred to revenue	-1,666,082	-2,501,067
Conditions still to be met - transferred to liabilities	-	-
The Municipality renders health services on behalf of the Provincial Government and is refunded as follows:		
Surgical sundries	100%	
Stores	100%	
Equipment	100%	
Subsistence and travel, transport and traveling	100%	
Miscellaneous	100%	
Personnel	Based on sliding scale	
The grant has been used exclusively to fund clinic services. The conditions of the grant have not been met. There are no delays or withholding of the subsidy.		
Provincial - Other		
Corridor Funding LED Strategy		
Current year receipts	400,000	-
Conditions met - transferred to revenue	-400,000	-
No funds have been withheld	-	-
Provincial - Museum		
Current year receipts	73,000	68,000
Conditions met - transferred to revenue	-73,000	-68,000
No funds have been withheld	-	-
Provincial - Library extensions		
Current year receipts	179,700	96,000
Conditions met - transferred to revenue	-179,700	-96,000
No funds have been withheld	-	-
Provincial - Cedara College / Inkanya Village Road		
Current year receipts	-	2,000,000
Conditions met - transferred to revenue	-	-
No funds have been withheld	-	2,000,000
uMngundlovu District Council		
Current year receipts Corridor Development Mandela Capture Site	691,900	912,050
Conditions met - transferred to revenue	-691,900	-912,050
Current year receipts Winston/ Prospect Road Link	-	11,548
Conditions met - transferred to revenue	-	-11,548
No funds have been withheld	-	-

uMNGENI MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R					
26. BULK PURCHASES							
Electricity	38,382,635	29,225,162					
27. CASH							
Petty Cash	3,000	3,000					
Floats/cash on hand	1,760	1,760					
	4,760	4,760					
28. CAPITAL COMMITMENTS							
Commitments for capital expenditure							
Approved and contracted for	21,187,845	31,230,194					
Approved but not yet contracted for	18,506,000	26,837,000					
	39,693,845	58,067,194					
This expenditure will be financed from:							
Internal sources	6,416,805	4,972,410					
External sources		3,083,501					
National and Provincial government and District Municipality	33,277,040	49,409,219					
Development Bank of SA	-	-					
	39,693,845	57,465,130					
29. EMPLOYEE RELATED COSTS							
Remuneration of the Municipal manager							
Annual remuneration	-	1,038,243					
Performance bonus	-	-					
Leave payout	-	458,078					
	-	1,496,321					
Remuneration of the Chief financial officer							
Annual remuneration	869,828	835,016					
Performance bonus							
	869,828	835,016					
Remuneration of the Executive Directors							
	Internal audit	Operations	Economic development	Technical services	Corporate services	Community services	Planning & Development
2011							
Annual remuneration	855,295	895,889	854,933	873,610	1,046,504	873,610	869,828
Performance bonus							
	855,295	895,889	854,933	873,610	1,046,504	873,610	836,015
2010							
Annual remuneration	817,685	787,616	817,336	840,351	967,941	840,351	808,559
Performance bonus							
	817,685	787,616	817,336	840,351	967,941	840,351	808,559
EMPLOYEE RELATED COSTS							
Salaries and allowances						50,066,593	47,289,173
Contributions to UIF, pensions and medical aids						9,262,941	8,342,889
Travel, motor car, accommodation, subsistence and other allowances						817,889	804,004
Housing benefits and allowances						204,580	235,959
MOH allowance							-
Overtime payments						3,551,295	4,612,980
Annual bonus						3,891,702	3,756,018
Performance bonus							-
Standby						75,842	49,789
Cellular phone						58,750	18,500
						67,929,592	65,109,312

There were no advances to employees

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

30 FINANCIAL AND OPERATING LEASE PAYMENTS

Financial lease payments

Council has concluded financial lease agreements with its suppliers which are required to be paid in instalments as follows:

In the year ending 30 June 2012	1,003,287	1,170,544
In the years ending 30 June 2013	677,359	830,254
In the year ending 30 June 2014 and upwards	883,822	1,074,941

Interest is payable at rates varying between 12% and 10.5 %

2,564,468	3,075,739
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Operating lease payments

Council has concluded operating lease agreements with its suppliers which are required to be paid in instalments as follows:

In the year ending 30 June 2012	825,310	736,884
In the years ending 30 June 2013	907,841	810,573
In the year ending 30 June 2014 and upwards	998,624	891,629

2,731,775	2,439,086
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31. POST RETIREMENT MEDICAL BENEFITS

The Council operates a defined medical aid benefit scheme for the benefit of its permanent employees. Post-retirement medical aid benefits are offered to all employees by subsidising a portion of the medical aid contribution after retirement.

The most recent actuarial valuation was performed on 30 June 2011 by ARCH Actuarial Consulting using the Projected Unit Credit Method. The full liability has been recognised. The main assumptions used by the actuary are:

Discount rate per annum	8.52%	9.05%
Health care cost inflation rate	7.22%	7.08%
Net effective discount rate	1.22%	1.85%

Retirement age		
Males	63	63
Females	63	63
Mortality during employment	SA 85-90 Ultimate Table adjusted for Female lives	
Mortality post retirement	PA90-1 Ultimate Table rated down one year.	
Number of eligible members	166	165
Number of pensioners	21	21

Accrued liability at 30 June 2011

Future - service cost	624,853	511,654
Interest cost	1,298,978	1,022,777
Expected benefits payments	-	-
Actuarial loss/(gain)	-532,584	-454,764
	-	2,904,356

Total annual expense	1,391,247	3,984,023
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Projected accrued liability at 30 June 2012

Accrued liability at 30 June 2011	15 503 994	11 519 971
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Accrued liability at 30 June 2011	15,503,994	11,519,971
Short term portion of accrued liability	-532,584	-454,764

Long term portion of accrued liability	14,971,410	11,065,207
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	Liability (R millions)	Liability (R millions)
The effect on the liability of a 1% change in the assumed rate of medical inflation:		
Central assumptions	15.504	11.520
1% increase in assumed medical inflation	18.164	13.372
1% decrease in assumed medical inflation	13.362	10.013

Accrued liability at 30 June 2011	15,503,994
Less: Accrued liability at 30 June 2010	<u>-11,519,971</u>
Increase in provision for post retirement medical aid benefits 2010-2011	3,984,023

32. LONG SERVICE AWARDS AND RETIREMENT GIFTS

The Council offers employees leave awards that may be exchanged for cash on certain anniversaries of commencing service and a retirement gift determined by reference to length of service.

The most recent actuarial valuation was performed on 30 June 2011 by ARCH Actuarial Consulting using the Projected Unit Credit Method. The full liability has been recognised. The main assumptions used by the actuary are:

Discount rate per annum	7.66%	8.89%
General salary inflation rate (long term)	6.14%	6.20%
Net effective discount rate	1.43%	2.53%

Retirement age			
Males		63	63
Females		63	63
Mortality during employment	SA 85-90 Ultimate Table adjusted for Female lives		
Number of eligible employees		328	302

uMNGENI MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
Accrued liability at 30 June 2011	3,064,158	2,320,709
Future - service cost	376,384	305,874
Interest cost	226,289	194,923
Expected benefits payments	-227,043	-259,791
Actuarial loss/(gain)	-	502,443
Total annual expense	375,630	743,449
Projected accrued liability at 30 June 2012	3,439,788	3,064,158
Accrued liability at 30 June 2011	3,064,158	2,320,709
Short term portion of accrued liability	-227,043	-259,791
Long term portion of accrued liability	2,837,115	2,060,918
The effect on the liability of a 1% change in the assumed rate of salary inflation:		
Central assumptions	Liability (R millions)	Liability (R millions)
1% increase in assumed salary inflation	3,064	2,321
1% decrease in assumed salary inflation	3,275	2,472
	2,873	2,183
Accrued liability at 30 June 2011	3,064,158	
Less: Accrued liability at 30 June 2010	-2,320,709	
Increase in provision for post retirement medical aid benefits 2010-2011	<u>743,449</u>	
Total increase in provision raised in Statement of Financial Performance:		
Post retirement medical benefits	3,984,023	
Long service awards and retirement gifts	<u>743,449</u>	
Charge to Statement of Financial Performance	<u><u>4,727,472</u></u>	

33. REFUSE SITES REHABILITATION

Rehabilitation costs of Landfill Site	7,301,677	6,550,160
	<u>7,301,677</u>	<u>6,550,160</u>

Provision has been made for the estimated costs of rehabilitating the council's refuse sites.
The estimated costs have been determined by the Council's consulting engineers.

34. OWING BY COUNCILLORS

	Current - 60 Days	Over 90 Days	Total outstanding
TS NDLOVU	<u>1,082.64</u>	<u>1,134.70</u>	<u>2,217.34</u>
	<u>1,082.64</u>	<u>1,134.70</u>	<u>2,217.34</u>

35. IRREGULAR EXPENDITURE/FRUITLESS AND WASTEFUL EXPENDITURE

- 35.1 The acquisition of new Mayoral vehicles during the course of the year under review is deemed as irregular and wasteful expenditure as no economic benefits were derived from the acquisition thereof. The Municipality made payment for the existing vehicle as well as the new vehicles, one of which was returned during the course of the 2009-2010 financial year. Investigations are under way to establish the full facts relating to this issue and to establish who is responsible for the authorization of irregular expenditure. Once all the facts are established Council will have to take measures to recover the amounts relating to this case from those responsible. A the compilation of the annual financial statements the estimated amount regarded as irregular and wasteful expenditure is R 266 826 related to the previous periods and an amount R 8866.16 Which relates to the period under review. The matter is presently before the Commission of Enquiry.
- 35.2 During the course of the financial year, there was non compliance with regulation 36 b(2) of the Supply Chain Management Policy , wherein deviations from, and ratification of minor breaches of, procurement processes were not complied with. The amount deemed to be irregular due to deviation is R 1 641 229 and has been reported to Council by the Chief Financial Officer.

36. GOING CONCERN

Unspent Conditional grants were not cash backed by an amount of R 18 541 982 as at 30 June 2011.

Whilst the current liabilities exceed the current assets at year end, the Municipality has continued to operate as a going concern and management, together with the formation of the Interim Finance Committee meets bi weekly to ensure that municipality sets clear targets going forward to continue operating as a going concern in the foreseeable future.

37. OTHER DISCLOSURES

Midlands Development Agency
The municipality is part of the Development agency established between uMngeni Municipality , Mpofana and uMtshezi Municipalities. For the period under review, the development agency was still in the process of appointing a Board to run the affairs of the Agency. The Agency is fund by the IDC and a bank account is held in the name of uMngeni Municipality, until the Board is appointed to take control of the affairs of the agency. The bank balance is R 759 911,36 as at 30 June 2011 held at ABSA Bank LTD.

38. CONTINGENT LIABILITIES

- 38.1 The municipality joined Ethekwini municipality in the case against Ingonyama Trust Board. The Ingonyama Trust Board contends that they should not be rated. The court ruled against Ingonyama Trust Board, but they have appealed the matter. The matter is still pending.
- 38.2 The case in the matter of JDJ Properties and Double Diamond cc/uMngeni Municipality and Triumph Brokers regarding ERF 898 Howick(Save Cash and Carry), was dismissed with costs to be collected from JDJ Properties in favour of the respondents. The matter has now being appealed by JDJ Properties
- 38.3 Lorraine Margaret Burns has is claiming an amount of R 873 144.53 from the municipality as a result of a road accident which she was involved in. She claims that the accident occurred due to a pothole which the municipality is responsible for.
- 38.4 The municipality is also involved in a dispute with FA Nzimande/ S Zondi which involves an eviction order ,were the respondent illegally took occupant of a low cost housing unit belonging to another applicant.
- 38.5 There is also a case against the municipality by Skhumbuzo Ngubane for double booking of the sport facilities in Howick. This resulted in a loss if income of R 61 070 to Mr Skhumbuzo Ngubane.
- 38.6 The municipality is also seeking a High Court order to compel Cow Catchers to cease with illegal operation of the animal pound with the municipal area.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

PROPERTY, PLANT AND EQUIPMENT AND NOTE TO INVESTMENT PROPERTY

PROPERTY, PLANT AND EQUIPMENT

	Properties	Infrastructure other	Vehicles	Roads/ Stormwater	Electrical	Toolbox	Total
Reconciliation of carrying value							
Carrying values at 01 July 2010	43,759,923	28,157,242	3,647,082	94,594,031	39,760,548	2,173,133	212,091,959
Cost restated	46,332,250	32,573,380	9,588,744	109,684,007	46,673,098	9,311,764	254,163,243
Cost	46,332,250	32,573,380	9,588,744	109,684,007	46,673,098	9,311,764	254,163,243
Revaluation	-	-	-	-	-	-	-
Residual values	-	-	-	-	-	-	-
Accumulated depreciation	-2,572,327	-4,416,138	-5,941,662	-15,089,976	-6,912,550	-7,138,631	-42,071,284
Cost	-2,572,327	-4,416,138	-5,941,662	-15,089,976	-6,912,550	-7,138,631	-42,071,284
Revaluation	-	-	-	-	-	-	-
Adjustment to investment property	-	-	-	-	-	-	-
Acquisitions	1,084,082	3,890,890		5,758,167	2,623,247	342,070	13,698,456
Work in progress				7,587,523	243,736		7,831,259
Revaluation				102,789,823	40,345,394		143,135,217
Residual values			38			6,888	6,926
Depreciation	-467,771	-1,174,201	-1,009,593	-3,387,497	-1,408,662	-734,349	-8,182,073
Based on cost	-467,771	-1,174,201	-1,009,593	-3,387,497	-1,408,662	-734,349	-8,182,073
Based on revaluation	-	-	-	-	-	-	-
Carrying value of disposals	-	-	-215,337	-	-	-	-215,337
Cost	-	-	-388,741	-	-	-	-388,741
Revaluation	-	-	-	-	-	-	-
Accumulated depreciation	-	-	173,404	-	-	-	173,404
Impairment losses							
Carrying values at 30 June 2011	44,376,234	30,873,931	2,422,152	207,342,047	81,564,263	1,780,854	368,366,407
Cost	47,416,332	36,464,270	9,200,041	225,819,520	89,885,475	9,660,722	418,446,360
Cost	47,416,332	36,464,270	9,200,003	123,029,697	49,540,081	9,653,834	275,304,217
Revaluation	-	-	-	102,789,823	40,345,394	-	143,135,217
Residual values	-	-	38			6,888	6,926
Accumulated depreciation	-3,040,098	-5,590,339	-6,777,851	-18,477,473	-8,321,212	-7,872,980	-50,079,953
Cost	-3,040,098	-5,590,339	-6,777,851	-18,477,473	-8,321,212	-7,872,980	-50,079,953
Revaluation	-	-	-	-	-	-	-
Carrying values at 30 June 2011	44,376,234	30,873,931	2,422,190	207,342,047	81,564,263	1,787,742	368,366,407

As part of the exercise to comply with the provisions of Grap 17, items of property, plant and equipment were revalued by consultants , Electrical Power Systems(Electrical) and Sukuma Consulting Engineers(Roads and Stormwater). After the exercise of verification and listing of these items , a revaluation surplus resulted after taking into account the replacement values of such items. This surplus has been credited to the revaluation reserve and will be used to off set future depreciation on these items.

Council intends to have these items revalued at regular intervals in order to write these items of property, plant and equipment either up or down.

The category of assets recorded as -infrastructure other, comprises of assets such as sport infrastructure, taxi ranks, public toilets, change and rest rooms, swimming pool and community halls.

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Note 40

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

NOTE TO INVESTMENT PROPERTY

	Investment Property Total
Reconciliation of carrying value	
Carrying values at 01 July 2011	1,550,695
Cost restated	1,750,000
Cost	1,550,695
Revaluation	-
Accumulated depreciation	-199,305
Cost	-199,305
Revaluation	-
Acquisitions	-
Work in progress	-
Depreciation	-540,695
Based on cost	-540,695
Based on revaluation	-
Carrying value of disposals	-
Cost	-
Revaluation	-
Impairment losses	-
Carrying values at 30 June 2011	1,010,000
Cost	1,750,000
Cost	1,750,000
Revaluation	-
Accumulated depreciation	-740,000
Cost	-199,305
Revaluation	-540,695
Carrying values at 30 June 2011	1,010,000

Description of the investment property: 1 Mimosa Drive Hilton, Erf 1092 Hilton extension 10

Details of property:

Purchase price: R 1 750 000

Date of purchase: 28 February 2007

Date of revaluation: 1 July 2010

Revalued amount of investment property: R 1 010 000

The valuation was performed by Councils valuers - Evaluations and is effective for a period of 4 years per the provisions of the MPRA

Expected rental income from investment property is estimated to be in the region of R 48000 - R 60000 per annum

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

NOTE TO INTANGIBLES

	Intangibles/Computer Software
Reconciliation of carrying value	
Carrying values at 01 July 2011	-
Cost restated	-
Cost	-
Revaluation	-
Accumulated depreciation	-
Cost	-
Revaluation	-
Acquisitions	28,467
Work in progress	-
Depreciation	-4,396
Based on cost	-4,396
Based on revaluation	-
Carrying value of disposals	-
Cost	-
Revaluation	-
Impairment losses	-
Carrying values at 30 June 2011	24,071
Cost	28,467
Cost	28,467
Revaluation	-
Accumulated depreciation	-4,396
Cost	-4,396
Revaluation	-
Carrying values at 30 June 2011	24,071

Intangible assets comprise of only computer software

APPENDIX A

uMNGENI MUNICIPALITY

= EXTERNAL LOANS FOR THE YEAR ENDED 30 JUNE 2011

EXTERNAL LOANS	Loan Number	Interest rate	Redeemable	Balance at 2010/06/30	Received during the Period	Redeemed written off during the period	Adjustments to balances from prior year	Balance 2011/06/30	Carrying Value of Property Plant & Equipment	Other Costs in Accordance with the MFMA
Annuity Loans										
Development Bank of SA Ltd	KN13855	12.620%	31/03/2024	9,085,577		-261,002		8,824,575		
Development Bank of SA Ltd	102419	10.095%	31/03/2027	15,837,528		-379,459	6,984	15,465,053		
Development Bank of SA Ltd	102466	5.00%	31/03/2022	3,135,220		-196,354		2,938,866		
ABSA Bank Ltd	3022002978	9.20%	30/06/2022	16,006,984		-1,333,333	-6,984	14,666,667		
				-				-		
Total Annuity Loans				44,065,310	-	-2,170,148	-	41,895,162		
Finance Management Agreements										
ABSA Bank Ltd				3,030,971		-1,429,665		1,601,306		
				-				-		
Total				3,030,971	-	-1,429,665		1,601,306		
TOTAL EXTERNAL LOANS				47,096,282	-	-3,599,813		43,496,469		

APPENDIX B

JMNGENI MUNICIPALITY

F AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2011

Cost / Revaluation							Accumulated Depreciation												Carrying Value 2011/06/30	Revaluations Residual 2011/06/30	Final Carrying Value 2011/06/30	Carrying Value 2010/06/30
	Balance 2010/06/30	Restated 2010/06/30	Additions	Work in progress	Disposals	Closing Balance	Balance 2010/06/30	Restated 2010/06/30	Additions	Disposals	Closing Balance											
Properties	48,082,250	48,082,250	1,084,082			49,166,332	2,771,631	2,771,631	1,008,464		3,780,095	45,386,237		45,386,237	45,310,619							
Infrastructure	32,573,380	32,573,380	3,890,890			36,464,270	4,416,138	4,416,138	1,174,201		5,590,339	30,873,931		30,873,931	28,157,242							
Vehicles	9,588,743	9,588,743	-		-388,742	9,200,001	5,941,664	5,941,664	1,009,593	-173,404	6,777,853	2,422,148	38	2,422,186	3,647,079							
Roads/stormwater	109,684,008	109,684,008	5,758,167	7,587,523		123,029,698	15,089,976	15,089,976	3,387,497		18,477,473	104,552,225	102,789,823	207,342,048	94,594,032							
Electrical	46,673,099	46,673,099	2,623,247	243,736		49,540,082	6,912,550	6,912,550	1,408,662		8,321,212	41,218,870	40,345,394	81,564,264	39,760,549							
Intangibles	-	-	28,467			28,467	-	-	4,396		4,396	24,071		24,071	-							
Toolbox	9,311,764	9,311,764	342,071			9,653,835	7,138,631	7,138,631	734,349		7,872,980	1,780,855	6,888	1,787,743	2,173,133							
	-	-				-	-	-			-	-			-							
	255,913,244	255,913,244	13,726,924	7,831,259	-388,742	277,082,685	42,270,590	42,270,590	8,727,162	-173,404	50,824,348	226,258,337	143,142,143	369,400,480	213,642,654							

APPENDIX C

uMNGENI MUNICIPALITY

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

THE YEAR ENDED 30 JUNE 2011

Cost / Revaluation	Accumulated Depreciation											
	Balance 2010/06/30	Additions	Work in progress	Disposals	Balance 2011/06/30	Balance 2010/06/30	Additions	Disposals	Balance 2011/06/30	Revaluations Residual 2011/06/30	Carrying Value 30/06/2011	Carrying Value 30/06/2010
Council General	24,139,910	3,781,125		-388,742	27,532,293	2,387,194	675,322	-173,404	2,889,112	279	24,643,460	21,752,716
Municipal Manager	9,094,836	29,152			9,123,988	1,413,497	67,239		1,480,736	91	7,643,343	7,681,339
Town Planning	563,091	49,985			613,076	418,783	73,416		492,199	162	121,039	144,308
Housing Administration	451,062				451,062	62,532	136,702		199,234	44	251,872	388,530
Museum	559,095				559,095	57,514	5,415		62,929	106	496,272	501,581
Libraries	4,819,337				4,819,337	1,143,385	105,728		1,249,113	1,181	3,571,405	3,675,952
Town Hall	5,153,470	12,246			5,165,716	395,528	74,641		470,169	1,567	4,697,114	4,757,942
Man Serv & Training	532,256	4,092			536,348	71,863	7,651		79,514	88	456,922	460,393
Refuse Removal / Health	8,064,887	1,084,082			9,148,969	2,523,160	337,152		2,860,312	18	6,288,675	5,541,727
Swimming Pool	585,677				585,677	78,026	13,332		91,358	464	494,783	507,651
Clinic	971,742	9,293			981,035	228,298	22,388		250,686	168	730,517	743,444
Parks & Gardens	17,537,943	27,338			17,565,281	3,706,342	878,160		4,584,502	484	12,981,264	13,831,602
Protection Services/Fire	3,142,527	92,000			3,234,527	1,827,799	282,435		2,110,234	99	1,124,392	1,314,728
Cemeteries	435,057				435,057	34,059	3,784		37,843	1,033	398,247	400,998
Public Works	115,296,666	5,758,167	7,587,523		128,642,356	17,462,383	3,546,622		21,009,005	102,789,823	210,423,174	97,834,283
Town Treasurer	2,051,225	109,514			2,160,739	1,797,933	110,338		1,908,271	147	252,615	253,292
Stores	194,330				194,330	134,624	8,558		143,182	268	51,416	59,706
Electricity	46,864,254	2,623,247	243,736		49,731,237	7,076,101	1,423,685		8,499,786	40,345,394	81,576,845	39,788,153
Corporate Services	12,470,361	141,600			12,611,961	905,313	718,549		1,623,862	78	10,988,177	11,565,048
Technical Services	681,023	5,082			686,105	-734,938	95,519		-639,419		1,325,524	1,415,961
Community Services	168,538				168,538	100,609	15,472		116,081		52,457	67,929
Workshops	2,135,956				2,135,956	1,180,584	125,055		1,305,639	195	830,512	955,372
	255,913,242	13,726,923	7,831,259	-388,742	277,082,682	42,270,588	8,727,163	-173,404	50,824,347	143,141,689	369,400,024	213,642,654

APPENDIX D

uMNGENI MUNICIPALITY

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2011

	2011	2011	2011	2010	2010	2010
	Income	Actual	Surplus/	Actual	Actual	Surplus/
	R	Expenditure	(Deficit)	Income	Expenditure	(Deficit)
	R	R	R	R	R	R
Executive and Council	-89,703,479	20,746,363	68,957,116	-84,941,324	27,159,498	57,781,826
Finance and Administration	-23,914,720	21,984,781	1,929,939	-29,129,490	18,822,172	10,307,318
Planning and Development	-806,966	5,310,485	-4,503,519	-916,541	5,207,875	-4,291,334
Health	-1,666,083	3,056,822	-1,390,739	-2,523,824	2,726,001	-202,177
Community and Social Services	-343,556	5,947,828	-5,604,272	-257,940	5,556,075	-5,298,135
Housing	-1,069,321	1,069,321	-	-1,054,271	1,054,271	-
Public Safety	-3,153,396	6,980,652	-3,827,256	-2,999,594	6,378,390	-3,378,796
Sports and Recreation	-267,806	9,217,512	-8,949,706	-2,623	9,268,528	-9,265,905
Waste Management	-18,020,537	13,808,358	4,212,179	-13,286,899	13,529,055	-242,156
Road Transport	-	-	-	-	-	-
Electricity	-57,106,982	57,106,982	-	-40,890,741	40,890,741	-
Other	-3,855,676	36,088,902	-32,233,226	-3,196,409	35,619,130	-32,422,721
Sub Total	-199,908,522	181,318,006	18,590,516	-179,199,656	166,211,736	12,987,920
Less: Inter-Departmental Charges	-13,867,962	13,867,962	-	-13,145,748	13,145,748	-
Total	-213,776,484	195,185,968	18,590,516	-192,345,404	179,357,484	12,987,920

APPENDIX E (1)

uMNGENI MUNICIPALITY

ACTUAL COMPARED WITH BUDGETED REVENUE AND EXPENDITURE

FOR THE YEAR ENDED 30 JUNE 2011

	Actual 2011	Budget 2011	Variance 2011	Variance 2011	Explanation of significant Variance greater than 10% versus Budget
	R	R	R	%	
REVENUE					
Property rates	-76,987,434	-93,190,766	16,203,332	-17.39%	This is the effect of the implementation of the various supplement rolls
Property rates- penalties imposed and collection charges	-3,140,626	-520,000	-2,620,626	503.97%	More debtors attracted collection charges and penalties
Service charges	-46,563,765	-52,561,670	5,997,905	-11.41%	Electricity losses need to be investigated, the process is underway
Rental of facilities and equipment	-789,231	-528,643	-260,588	49.29%	Increase in Hall bookings
Interest earned- external investments	-481,204	-255,113	-226,091	88.62%	Investments made exceed expectations due to debt collection
Interest earned- outstanding debtors	-606,574	-500,000	-106,574	21.31%	More debtors fell into arrears during the year
Fines	-163,380	-260,022	96,642	-37.17%	The delay in processing summons at courts has resulted in lower income
Licences and permits	-2,940,141	-3,263,907	323,766	-9.92%	
Government grants and subsidies	-51,672,544	-63,211,110	11,538,566	-18.25%	Not all grants gazetted were received during the year
Other income	-16,563,623	-5,480,023	-11,083,600	202.25%	Increase in other income streams and clearing of other functions
Inter- departmental charges	-13,867,962	-13,867,962	-	0.00%	
Public contributions, donated/contributed PPE		-	-		
Gains on disposal of property, plant and equipment		-	-		
Total Revenue	-213,776,484	-233,639,216	19,862,732	-8.50%	
EXPENDITURE					
Executive & Council	20,746,363	35,927,541	-15,181,178	-42.25%	Actual is below budget due to cost cutting measures
Finance & Admin	21,984,781	23,110,744	-1,125,963	-4.87%	
Planning & Development	5,310,485	5,549,162	-238,677	-4.30%	
Health	3,056,822	3,056,238	584	0.02%	
Community & Social Services	5,947,828	6,621,574	-673,746	-10.18%	
Housing	1,069,321	1,216,414	-147,093	-12.09%	
Public Safety	6,980,652	7,338,811	-358,159	-4.88%	
Sport & Recreation	9,217,512	10,308,854	-1,091,342	-10.59%	
Waste Management	13,808,358	11,462,978	2,345,380	20.46%	Additional expenditure of landfill and refuse collection
Electricity	57,106,982	67,309,603	-10,202,621	-15.16%	Actual is below budget due to cost cutting measures
Other	36,088,902	38,953,718	-2,864,816	-7.35%	
Inter- departmental charges	13,867,962	13,867,962	-	0.00%	
Total Expenditure	195,185,968	224,723,599	-29,537,631	-13.14%	
NET (SURPLUS)/ DEFICIT FOR THE YEAR	-18,590,516	-8,915,617	-9,674,899	108.52%	

APPENDIX E (2)

uMNGENI MUNICIPALITY

T - ACQUISITION OF PROPERTY PLANT AND EQUIPMENT

R THE YEAR ENDED 30 JUNE 2011

	2011 Actual	2011 Under Construction	2011 Total Additions	2011 Budget	2011 Variance	2011 Variance %	Explanation of Significant Variances Greater than 5% versus Budget
Executive and Council	29,937		29,937	20,000	-9,937	-49.69%	Additional computer equipment acquired due to failure
Planning and Development	49,985		49,985	20,000	-29,985	-149.93%	Additional computer equipment acquired due to shared services
Community Halls	12,246		12,246	14,000	1,754	12.53%	Tables acquired for community halls
Property Services	145,692		145,692	120,550	-25,142	-20.86%	Taxi rank expenditure wooden cabin
Refuse Removal and Landfill	1,084,082		1,084,082	-	-	0.00%	Carry over from previous year
Clinic	9,293		9,293	10,000	707	7.07%	
Sport and Recreation	27,338		27,338	10,000	-17,338	-173.38%	Acquisition of brush cutters due to insurance claim
Protection Services	92,000		92,000		-92,000		Purchase of speed timing equipment for enforcement
Roads and Stormwater	5,758,167	7,587,523	13,345,690	23,726,450	10,380,760	43.75%	Work still in progress at year end
Finance	109,514		109,514	10,000	-99,514	-995.14%	New hardware acquired for prepaid and insurance purchases
Electricity	2,623,247	243,736	2,866,983	3,000,000	133,017	4.43%	
Technical Services	5,082		5,082	6,000	918	15.30%	Equipment for new office
Economic Development	3,780,340		3,780,340	5,500,000	1,719,660	31.27%	Work still in progress at year end
	13,726,923	7,831,259	21,558,182	32,437,000	11,962,900	36.88%	

APPENDIX E (3)

uMNGENI MUNICIPALITY

S STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2011

	Current Year 2010-2011								
R thousands	Original Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of final Budget	Actual outcome as % of final budget
Financial Performance									
Property rates	93,691	93,711	-	93,711	80,128	-	(13,583)	85.51	85.52
Service charges	52,562	52,562	-	52,562	46,564	-	(5,998)	88.59	88.59
Investment revenue	252	255	-	255	481	-	226	188.62	190.95
Transfers recognised - operational	56,256	38,504	-	38,504	31,843	-	(6,661)	82.70	56.60
Other own revenue	23,556	23,901	-	23,901	21,063	-	(2,838)	88.13	89.42
	226,317	208,932	-	208,932	180,079	-	(28,854)		
Total Revenue (excluding capital transfers and contributions)								86.19	79.57
Employee costs	69,710	69,280	-	69,280	67,930	-	(1,351)	98.05	97.45
Remuneration of councillors	4,881	4,881	-	4,881	4,198	-	(683)	86.00	86.00
Depreciation & asset impairment	6,242	6,529	-	6,529	8,727	-	2,198	133.67	139.81
Finance charges	4,564	4,623	-	4,623	4,651	-	28	100.60	101.91
Materials and bulk purchases	46,861	46,861	-	46,861	38,383	-	(8,478)	81.91	81.91
Transfers and grants	-	-	-	-	-	-	-	-	-
Other expenditure	93,495	92,549	-	92,549	57,430	-	(35,119)	62.05	61.43
Total Expenditure	225,753	224,723	-	224,723	181,318	-	(43,405)	80.69	80.32
Surplus/(Deficit)	564	(15,791)	-	(15,791)	(1,239)	-	14,552	7.85	-219.74
Transfers recognised - capital	-	(24,707)	-	(24,707)	(19,830)	-	-	-	-
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	564	8,916	-	8,916	18,591	-	14,552	208.50	3296.19
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	564	8,916	-	8,916	18,591	-	14,552	208.50	3296.19
Capital expenditure & funds sources									
Capital expenditure									
Transfers recognised - capital	24,707	30,207	-	30,207	20,200	-	(10,007)	66.87	81.76
Public contributions & donations	-	-	-	-	-	-	-	0.00	-
Borrowing	-	-	-	-	-	-	-	0.00	-
Internally generated funds	2,130	2,130	-	2,130	1,358	-	(772)	63.75	63.75
Total sources of capital funds	27	32	-	32	22	-	(11)	66.67	80.33
Cash flows									
Net cash from (used) operating	(2,863)	2,637	-	2,637	19,202	-	16,565	728.16	-670.68
Net cash from (used) investing	(2,897)	(8,397)	-	(8,397)	(2,357)	-	6,040	28.06	81.35
Net cash from (used) financing	(882)	(882)	-	(882)	1,879	-	2,761	-213.06	-213.06
Cash/cash equivalents at the year end	(1,642)	1,642	-	1,642	477	-	(1,165)	29.08	-29.08

APPENDIX E (4)

uMNGENI MUNICIPALITY

FOR THE YEAR ENDED 30 JUNE 2011

MAJOR ITEMS INCLUDED IN OTHER INCOME IN STATEMENT OF FINANCIAL PERFORMANCE

Shared Service Model	276,662
Compound rental	260,731
Allocation of year end deficit electricity service to accumulated surplus	6,025,271
Connection Income	1,350,008
Parking reserve fund received	190,000
Building plan fees and drainage fees	1,230,972
Reconnection Fee	405,897
Allocation of year end deficit of housing fund to accumulated surplus	1,069,321
Contribution from accumulated surplus to fund assets -MIG counter funding	1,357,805
Sponsorship received	1,100,000
LGSETA receipts	216,057
Income from Milkwood Estates	184,211
Income from advertising	106,559
Hall hire	158,319
Burial fees	68,090
Insurance claims received	92,989
Income from rendering environmental health services	1,552,222
Other income	918,509
TOTAL	16,563,623

MAJOR ITEMS INCLUDED IN GENERAL EXPENSES IN STATEMENT OF FINANCIAL PERFORMANCE

Advertising	410,215
Electricity connections	3,620,980
SPCA expenses	520,261
SALGBC subscriptions	359,850
Tracker subscriptions	215,855
Workman's compensation	411,314
Valuation expenses	2,083,603
Uniforms	602,000
Telecommunications	1,122,404
Skills development levy	592,896
Subsistence and travelling	288,801
Refuse bags	237,348
Rental leased properties	161,053
Hire of plant and equipment	381,127
Printing and stationery	284,972
Postages	893,924
Patrol & security	3,892,362
Medical aid retired staff	446,817
Audit fees	968,509
Sponsorship paid Jazz Festival -Funds received from District Municipality	1,070,000
Legal fees	795,900
Free basic services	9,355,257
Electricity	2,823,183
Debt collection fee	2,000,816
Consultant fees	1,127,804
Computer support and maintenance	664,764
Insurance	714,542
Bank charges	629,080
Grant expenditure - Finance management grant**	1,200,000
Grant expenditure - Municipal systems improvement grant**	750,000
Grant expenditure - Library computer assistant Mpophomeni**	100,800
Grant expenditure - Cleanest town award**	265,000
Grant expenditure - Library computer assistant Howick West**	78,900
Grant expenditure- LED strategy Corridor development - Shared services planning and development**	400,000
Grant expenditure- Shared services planning and development**	691,900
Materials and small tools	208,139
Hygiene services	160,308
Contribution to fire fighting services	200,793
Water and refuse removal costs	244,588
IDP expenditure	124,211
Other expenses	1,192,279
TOTAL	42,292,555

UMNGENI MUNICIPALITY

APPENDIX F

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003
FOR THE YEAR ENDED 30 JUNE 2011

Grants and Subsidies Received

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts						TOTAL RECEIPTS	Quarterly Expenditure				Grants and Subsidies delayed/ withheld	Reason for delay withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework Revenue Act	Reason for non-compliance
		April to June 2010 1	July to Sept 2010 1	Oct to Dec 2010 2	Jan to Mar 2011 3	April to June 2011 4	July to June 2011 5		April to June 2010 1	July to Sept 2010 1	Oct to Dec 2010 2	April to June 2011 4				
TWO VOTES																
CAPITAL																
MIG	Cooperative Governance & Traditional Affairs	4,544,000	730,000	2,450,000	3,373,000	-	6,553,000		538,063	869,449	177,507	4,930,820	NO	N/A	YES	N/A
DME	Department of Minerals & Energy	-	-	-	-	-	-		380,487	147,639	1,697,695	411,738	NO	N/A	YES	N/A
Mpophomeni Nodal Development	Cooperative Governance & Traditional Affairs	-	-	-	3,000,000	-	3,000,000		4,185,157	1,298,423	2,091,550	1,637,501	NO	N/A	YES	N/A
OPERATING - STATE																
Finance Management Grant	National Treasury	-	1,200,000	-	-	-	1,200,000		25,000	25,000	120,416	199,045	NO	N/A	YES	N/A
Municipal Systems Improvement	National Treasury	-	750,000	-	-	-	750,000		417,562	1,925	31,807	695,839	NO	N/A	YES	N/A
Equitable Share State	Co-operative Governance & Traditional Affairs	-	10,604,146	8,483,316	6,362,488	-	25,449,950		-	-	-	-	NO	N/A	YES	N/A
Councillors Allowances	Co-operative Governance & Traditional Affairs	-	486,281	389,025	291,769	-	1,167,074		-	-	-	-	NO	N/A	YES	N/A
CAPITAL PROVINCE																
Library Hilton Extensions	Department Education & Culture	-	-	-	-	-	-		-	-	-	-	NO	N/A	YES	N/A
Library Mpophomeni- Head count System	Department Education & Culture	-	-	-	-	-	-		-	-	-	-	NO	N/A	YES	N/A
Corridor Development	Co-operative Governance & Traditional Affairs	-	5,500,000	-	-	-	5,500,000		468,675	1,045,520	399,515	2,067,507	NO	N/A	YES	N/A
Cedara College /Inkanya Village road	Department of Agriculture	-	-	-	-	-	-		-	-	77,350	-	NO	N/A	YES	N/A
OPERATING - PROVINCE																
MAP Spatial Develop Framework	Co-operative Governance & Traditional Affairs	-	-	-	-	-	-		-	-	32,551	-	NO	N/A	YES	N/A
MAP Byelaws	Co-operative Governance & Traditional Affairs	-	-	-	-	-	-		36,000	-	-	-	NO	N/A	YES	N/A
E & C - Performance Manage System	Co-operative Governance & Traditional Affairs	-	-	-	-	-	-		17,328	-	-	-	NO	N/A	YES	N/A
Ex & Council - Inter Depart Monitoring	Co-operative Governance & Traditional Affairs	-	-	-	-	-	-		30,699	-	-	-	NO	N/A	YES	N/A
mmMunicipal Assistance Programme	Co-operative Governance & Traditional Affairs	-	-	-	-	-	-		100,000	210,361	90,011	-	NO	N/A	YES	N/A
Youth Advisory Centre (Umsobomvu)	Co-operative Governance & Traditional Affairs	-	-	-	-	-	-		27,198	-	-	-	NO	N/A	YES	N/A
Capacity Development	Co-operative Governance & Traditional Affairs	-	-	-	-	-	-		192,717	6,203	1,080	-	NO	N/A	YES	N/A
Technical Services GIS Capacity Building	Co-operative Governance & Traditional Affairs	-	-	-	-	-	-		17,180	-	4,642	-	NO	N/A	YES	N/A
Flanders Grant	Flanders (Department of Housing)	-	-	-	-	-	-		-	-	281	-	NO	N/A	YES	N/A
Municipal Information Systems Support	Co-operative Governance & Traditional Affairs	-	-	-	-	-	-		-	-	-	-	NO	N/A	YES	N/A
Municipal Infrastructure Invest Prog	Co-operative Governance & Traditional Affairs	-	-	-	-	-	-		7	200,000	-	-	NO	N/A	YES	N/A
Integration with REDS	Co-operative Governance & Traditional Affairs	-	-	-	-	-	-		-	29,250	12,544	-	NO	N/A	YES	N/A
N3 Corridor Management Plan	Co-operative Governance & Traditional Affairs	-	-	-	-	-	-		85,450	-	107,640	-	NO	N/A	YES	N/A
Library Mpophomeni Cybercadet	Department Education & Culture	-	-	-	100,800	-	100,800		23,500	24,000	24,000	24,800	NO	N/A	YES	N/A
Library Howick West Cybercadet	Department Education & Culture	-	-	78,900	-	-	78,900		-	-	-	19,725	NO	N/A	YES	N/A
MAP Synergistic Partnership	Co-operative Governance & Traditional Affairs	-	-	-	-	-	-		6,804	-	-	3,735	NO	N/A	YES	N/A
LUMS Spatial Planning	Co-operative Governance & Traditional Affairs	-	-	-	-	-	-		-	-	37,820	-	NO	N/A	YES	N/A
Cleanest Town Award	Agriculture & Environmental Affairs	-	-	-	265,000	-	265,000		95,700	-	-	-	NO	N/A	YES	N/A
LED Strategy Corridor Funding	Co-operative Governance & Traditional Affairs	-	-	400,000	-	-	400,000		-	-	-	361,080	NO	N/A	YES	N/A
Clinic Subsidy Prov	Department of Health	1,765,304	-	390,768	440,144	835,170	1,666,082		-	-	-	-	NO	N/A	YES	N/A
Museums Subsidy	Department Arts & Culture	-	-	73,000	-	-	73,000		-	-	-	-	NO	N/A	YES	N/A
HOUSING PROVINCE																
Mpophomeni 1	Department of Housing	-	-	-	-	-	-		-	-	-	-	NO	N/A	YES	N/A
Mpophomeni 2	Department of Housing	-	-	-	-	-	-		-	-	-	-	NO	N/A	YES	N/A
Mpophomeni 3	Department of Housing	-	-	-	-	-	-		-	-	-	57,200	NO	N/A	YES	N/A
Extension 33 & 34	Department of Housing	-	-	-	-	-	-		-	-	-	176,800	NO	N/A	YES	N/A
Lidgetton West	Department of Housing	-	-	-	-	-	-		-	-	-	(234000)	NO	N/A	YES	N/A
Zenzani	Department of Housing	-	213,909	-	-	-	213,909		659,552	213,909	-	-	NO	N/A	YES	N/A
Emandleni	Department of Housing	-	-	-	-	-	-		-	-	-	-	NO	N/A	YES	N/A
Khayelisha	Department of Housing	-	-	-	830,798	3,630,730	4,461,528		-	-	-	3,630,730	NO	N/A	YES	N/A
Hilton Society Development No 1	Department of Housing	-	-	23,321	-	-	23,321		123,726	-	23,321	-	NO	N/A	YES	N/A
Nxamalalala Inadi Rural	Department of Housing	-	511,493	189,041	119,434	1	819,969		597,232	511,493	189,041	1	NO	N/A	YES	N/A
OPERATING - OTHER																
Assets Grant	Development Bank of South Africa	-	-	-	-	-	-		30,354	42,985	-	-	NO	N/A	YES	N/A
Shared Services Development Planning	Umgungundlovu District Council	-	-	691,900	-	-	691,900		121,750	161,093	219,129	517,599	NO	N/A	YES	N/A
		6,309,304	19,995,828	13,169,271	14,783,432	4,465,901	52,414,433		8,180,139	4,787,251	5,337,901	14,500,119	-			

For the Year Ended 31 March 2011:

54,257,836

18,305,290

For the Year Ended 30 June 2011:

52,414,433

29,523,680